



# Of Interest In Kentucky

Quarterly Newsletter of the Department of Financial Institutions

Issue No. 12, Fall 2010

*"DFI's mission is to serve Kentucky residents and protect their financial interests by maintaining a stable financial industry, continuing effective and efficient regulatory oversight, promoting consumer confidence, and encouraging economic opportunities."*

## Federal Reform

### Vice updates legislature on new Dodd-Frank Act

Kentucky consumers will see greater protections and financial institutions will see tighter regulation under federal financial reform passed in July.

DFI Commissioner Charles Vice presented an overview of the Dodd-Frank Wall Street Reform and Consumer Protection Act to the members of the state legislature's Interim Joint Committee on Banking & Insurance in September. The final act contains 848 pages and calls for well over 200 new regulatory rules.



**Charles A. Vice**

Although the details will be worked out in federal regulations developed in the coming years, consumers are already benefitting in some ways. The temporary increase in FDIC insurance to \$250,000 per depository account is now permanent. The previous maximum of \$100,000 had been in place since 1980 and was not indexed to inflation. However, the new limits also will mean new rates on the banks that pay into the insurance pool.

A new Bureau of Consumer Financial Protection also has been created. It will be funded by and housed in the Federal Reserve, although it will operate independently. The bureau, [www.treasury.gov/initiatives/Pages/cfpb.aspx](http://www.treasury.gov/initiatives/Pages/cfpb.aspx), will be responsible for writing and enforcing consumer financial protection rules, as well as to create a one-stop-shop for consumer financial information and complaints.

The new agency will be responsible for regulations under 15 separate consumer protection



**The DFI Board met Sept. 15 at Pine Mountain State Park in Pineville, Ky.**

## Supreme Court Decides

### Credit Unions Allowed to Use Geographic FOM

A 2010 Kentucky Supreme Court ruling in favor of credit unions allows DFI to approve a geographic field of membership or community-based charter. In order to start a new credit union or change a field of membership at an existing credit union, management must submit a proposal to DFI for approval.

The case was first brought by Home Federal Savings and Loan Association against DFI in May 2006. The suit alleged that DFI had no authority to approve geographic field of membership bylaws for Kentucky credit unions. In 2007 the Franklin County Circuit Court ruled that DFI exceeded its statutory authority when it approved geographic field of memberships for six state-chartered credit unions be-

tween 2000 and 2005. In 2008 an appeals court upheld that decision.

On Nov. 19, 2009, the Kentucky Supreme Court heard arguments in the case, which was appealed by a group of credit unions, including Members Choice, Beacon Community, Service One, C&O, Greater Kentucky and Kentucky Employees.

In an opinion rendered May 20, 2010, the court reversed the finding of the lower court and found that a geographic or community field of membership is allowed under the current language of KRS 286.6-107. Home Federal appealed the decision and requested the court to rehear the case. However, on Nov. 18, 2010, the petition for rehearing was denied.

*Continued on Page 2 ...*

## DFI Exceeds Goal for Charity Drive

DFI exceeded its goal of raising \$9,414 for the Kentucky Employees Charitable Campaign. Individual contributions from the DFI staff contributed a great deal to this total, as well as small office fundraisers. DFI also participated in group events, raising \$342 in the FunFest and \$431 in the cabinet auction.

## 2009 Annual Report Available

The 2009 DFI annual report is available at [www.kfi.ky.gov/aboutus/annualreports.htm](http://www.kfi.ky.gov/aboutus/annualreports.htm). The report contains statistical and historical information regarding the financial services industry in Kentucky.

While some declines can be expected due to the economy, Kentucky financial institutions continue to hold steady or even improve in areas such as asset growth and profitability. Kentucky is now in compliance with the federal SAFE Act. And in 2009, securities investigations resulted in \$654,861 restitution for consumers who were victims of securities fraud.



*From the staff at DFI*

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## Federal Reform: Legislator Update

laws, including the Truth in Lending Act and the Home Mortgage Disclosure Act. Although financial merchants regulated by other agencies, such as state insurance regulators and the Securities and Exchange Commission, will be exempt, the bureau will have primary examination authority over banks holding \$10 billion or more and can “ride along” with compliance checks of

smaller banks. The bureau also will oversee non-depository institutions such as mortgage lenders, payday lenders and student loan providers, regardless of size.

Mortgage lenders must use independent appraisers in measuring the value of any mortgaged property, and lenders will not be allowed to simply sell off all of their loans. Instead, they will be required to retain a portion of those loans and cannot hedge that risk, requiring them to have

some “skin in the game,” Vice said.

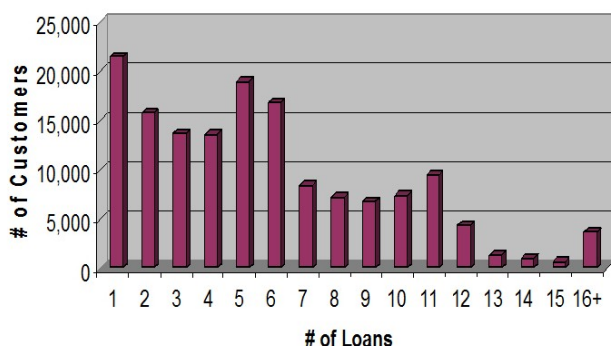
Impacting securities, the Act increases the states’ regulatory authority over investment advisers by increasing the assets under management threshold from \$25 million to \$100 million. Currently, the state has regulatory oversight of investment advisers with assets under management of less than \$25 million. DFI estimates a gain of 16 investment advisers that will come under state supervision as a result.

## At a Glance ...

**Dodd-Frank Wall Street Reform and Consumer Protection Act  
H.R.4173 – Sponsor: Rep. Barney Frank (introduced 12/2/2009)  
Effective July 21, 2010 (Public Law No: 111-203)**

**Full title: An Act to promote the financial stability of the United States by improving accountability and transparency in the financial system, to end “too big to fail,” to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.**

Customer Usage (April 30th - September 30th)



## Payday Loans Data

The Kentucky Deferred Presentment Transaction System—the new payday lending database—is an enforcement tool and will not approve a payday loan in excess of statutory limits. The database went into effect April 30, 2010, ahead of schedule. The following is an overview of lending activity in Kentucky from January to September 2010 (includes historical data):

**Total Number of Transactions = 1.56 million**

**Average Advance Amount = \$310.68**

**Average fee = \$51.16**

**Total Number of Borrowers = 182,159**

**Average transaction = 20.85 days**

Continued on Page 3 ...

## Two Complete Public Manager Program

Commissioner Charles Vice and examiner Kim Goodwin completed the Kentucky Certified Public Manager program. They and their classmates were honored at an awards ceremony at Kentucky State University on Nov. 4.

## Wilson to Leave DFI, Accepts New Post

Deputy Commissioner Ambrose Wilson IV will be leaving DFI, as he has accepted a new post. Effective Jan. 1, 2011, Wilson becomes acting commissioner of the Department of Housing, Buildings and Construction.

"Ambrose brings a tremendous record of personnel management to HBC," said Public Protection Cabinet Secretary Robert D. Vance.

Wilson has been DFI's deputy commissioner since 2008. Previously, Wilson was assistant vice president and human resource business partner for JP Morgan Chase. Wilson is vice chair of the Woodford County Board of Education, a board he has served for 18 years. He also is a member of the board of directors of the Kentucky School Boards Association and is re-

gional chairperson of the Central Kentucky School Boards Association. He is a graduate of the University of Kentucky. He and his wife Karen live in Midway.

## Gardner is Elected to Personnel Board

Susan Gardner has been elected to the Personnel Board for a four-year term. The board safeguards the merit system for state government employees and serves as an impartial adjudicator of employee-employer disputes for state government.

## Calhoun Serves on Exam Review Team

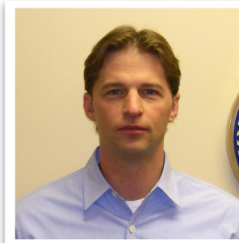
Brian Calhoun is now serving on the Conference of State Bank Supervisors' State Examiner Review Team, which is reviewing examination processes.

## Two Nominated for Governor's Award

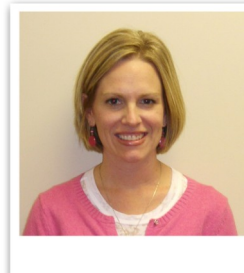
Two DFI employees were nominated for 2010 Governor's Ambassador Awards. Brian Raley was nominated for Community Service/Volunteerism for his work with the Frankfort Christian Academy. Kelly May was nominated for Leadership for her coordination of educational outreach for DFI. The awards ceremony was Oct. 13.

# Meet the Staff

**Michael Davis** became a DFI staff attorney on Nov. 1. Previously he was a senior associate at Golden & Walters PLLC, a Lexington law firm, where he practiced commercial and insurance litigation for the past eight years. Prior to that and law school, he worked at Area Bancshares' managing special assets departments which included bankruptcies, foreclosures and repossessions. He is a graduate of UK's College of Law and received his Bachelor of Science from Murray State University. He lives in Lexington.

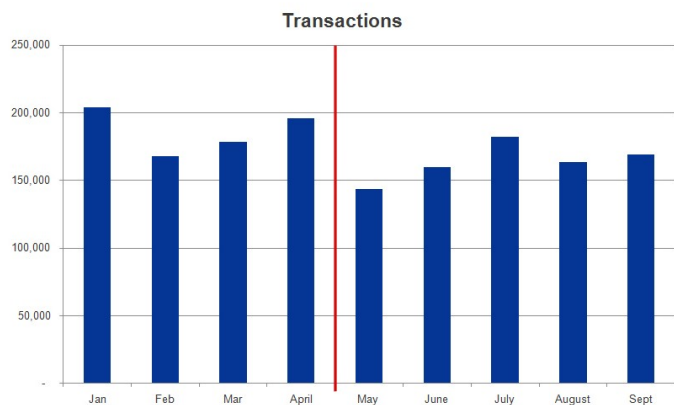


**Stephanie Dawson** started work for DFI on Nov. 1 as an administrative specialist. She most recently worked as executive secretary in the Public Protection Cabinet serving the Office of the Secretary and Office of Legal Services. Prior to that and after attending Western Kentucky University, she was rapidly promoted to assistant general manager for O'Charley's Inc., where she worked for 10 years. Originally from Owensboro, she now lives in Frankfort with her husband, Chad, and their two daughters.

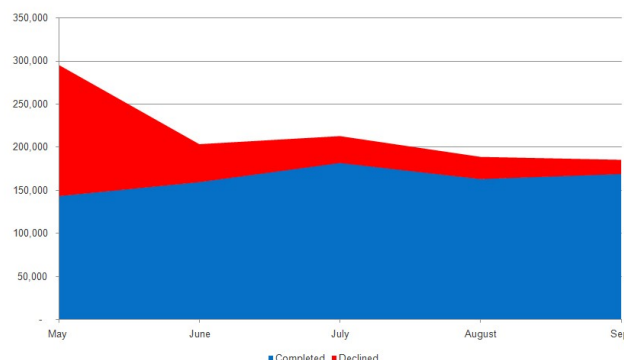


## ... Continued from Page 2: Payday Loans Data

### TRANSACTIONS PER MONTH



### TOTAL TRANSACTIONS



<https://www.kydpp.com>

877-KY- DPP01 (877-593-7701)



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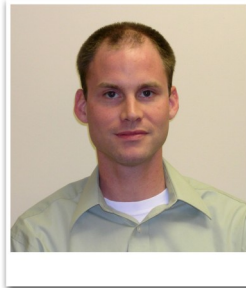
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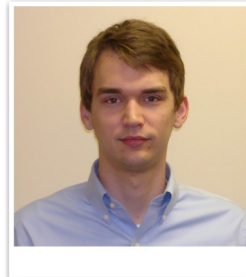
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# Meet the New Staff Members

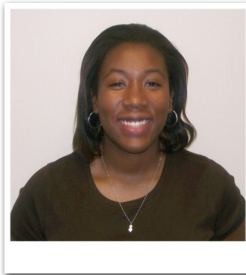
**Willie Milberger** joined DFI's Louisville field office as a financial institutions examiner on May 17. He obtained a bachelor's degree in finance from the University of Louisville and an associate's degree in management from Sullivan University. Prior to joining DFI, he worked in UPS aircraft maintenance at the Louisville airport. He and his wife, Kelly, live in LaGrange.



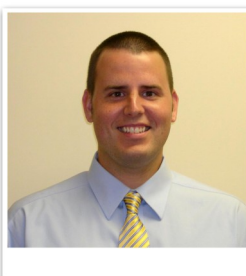
**Andrew Kinder** also began working with the Louisville crew on May 17 as a financial institutions examiner. After graduating from the University of Kentucky with an economics degree last year, he worked at Bluegrass Community and Technical College in human resources. He lives in Louisville.



**Camille Moore** began working for DFI's central/eastern field office on June 1 as a financial institutions examiner. She earned a bachelor's degree in accounting from the University of Louisville, where she completed an accounting internship with Yum! Brands. She also was a Campus Culture Mentor for freshman students and received a scholarship to study abroad in Prague for two weeks. She lives in Louisville.

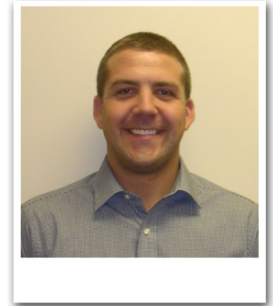


**Wesley Logan** became DFI's money transmitter examiner on July 16. Previously he was a branch manager for Enterprise Rent-A-Car, where he worked for three years. He obtained a bachelor's in finance and man-

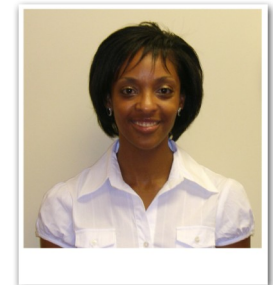


agement from the University of Kentucky. He and his wife, Terri, live in Louisville.

**Justin Stephens** started work as a financial institutions examiner in the central/eastern field office on Aug. 1. He is a University of Kentucky graduate with a bachelor's degree in finance. He recently completed an internship with the insurance investing company Northwestern Mutual. He said his family's involvement in the finance industry led to his interest in regulation. "I thought it would be a good fit for me," he said. Justin lives in Lexington.



**Shalan Miller** also joined the central/eastern Kentucky crew as an examiner on Aug. 16. "I enjoy the traveling and getting to visit banks in different parts of the state," she said. "I've been wanting something to challenge me and I think this will give me that challenge." Previously she worked more than seven years at First Southern National Bank where she was a credit administrative assistant and lending compliance coordinator. She graduated from Eastern Kentucky University with a degree in finance. She lives in Danville.



**Chas Sargent** is the most recent examiner to join the central/eastern field office, as of Oct. 1. He earned a bachelor's degree from the University of Kentucky, where he had a double major in finance and management. Prior to joining DFI, he worked for Harshaw Trane, an HVAC distribution company, for five years. He lives in Lexington.

